

PEPSI-COLA

COMPANY



ANNUAL
REPORT
1955



Sheldon R. Coons
Business Consultant



Dr. Louis A. Rezzonico
Industrialist



James G. Blaine
Chairman of the Board
The Marine Midland Trust Company



C. E. Holzworth
Vice-President and Director, retired
S. S. Kresge Company

— MEETING WITH THE BOARD —



Milward W. Martin
Vice-President and Secretary



Louis E. Nufer
Financial Vice-President
and Treasurer



Alfred N. Steele
CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER



Herbert L. Barnet
PRESIDENT



**CHAIRMAN
PRESIDENT
DIRECTORS**



William B. Forsythe
President,
Pepsi-Cola International, Ltd.



James W. Carkner
HONORARY CHAIRMAN
OF THE BOARD



Charles Allen, Jr.
Senior Partner, Allen & Company



Harry E. Gould
President, Reinhold-Gould, Inc.



Mortimer Hays
Member
Hays, Podell, Algase, Crum & Feuer



James Felt
Chairman
New York City Planning Commission



1955

*annual
report
to
stockholders*



Annual Meeting

The Annual Meeting of our Stockholders, which is held each year at the Company's home office in Wilmington, Delaware, will be held there this year at two o'clock in the afternoon, on Wednesday, May 2. An official Notice together with a Proxy and a Proxy Statement accompany this Annual Report.

It is hoped that as many Stockholders as are able will attend. If you cannot attend, however, please sign and mail back the enclosed Proxy.





CONTENTS

Letter from the Chairman of the Board	5
Our Financial Position	6
Our Market	10
Marketing Activities	
Advertising	12
Sales Promotion	16
National Accounts and Syrup Sales	20
Research and Product Control	24
Equipment	26
Plant Layout and Engineering	28
Regional Offices	30
Expansion in 1955	32
Pepsi-Cola International	34
Metropolitan Bottling Company	38
Schweppes	39
Administration	40
Financial Statements	41
Officers	49



Alfred H. Steele

From the Chairman of the Board

To the Stockholders, Bottlers and Employees
of Pepsi-Cola Company:

During 1955 Pepsi-Cola continued to show the most dynamic growth in the soft-drink industry.

We sold more Pepsi-Cola than was ever before sold in the world, at a rate of increase approximately double that of the estimated rate for the industry as a whole. Each month since September 1950 our sales have exceeded those for the corresponding month of the preceding year.

These increases came despite revitalized, large-scale competitive activities built on the introduction of new bottle sizes in imitation of our own, and on many marketing activities similar to ours. The attendant energetic marketing activity broadened the whole industry, enlarged future markets, and demonstrated the powerful vitality of Pepsi-Cola in the market place. Having instituted operational policies under which Pepsi-Cola has become the leader in industry growth, and having constructed and empowered a highly qualified management force to continue implementation of these policies against increasing opportunities, we face the future with continued confidence.

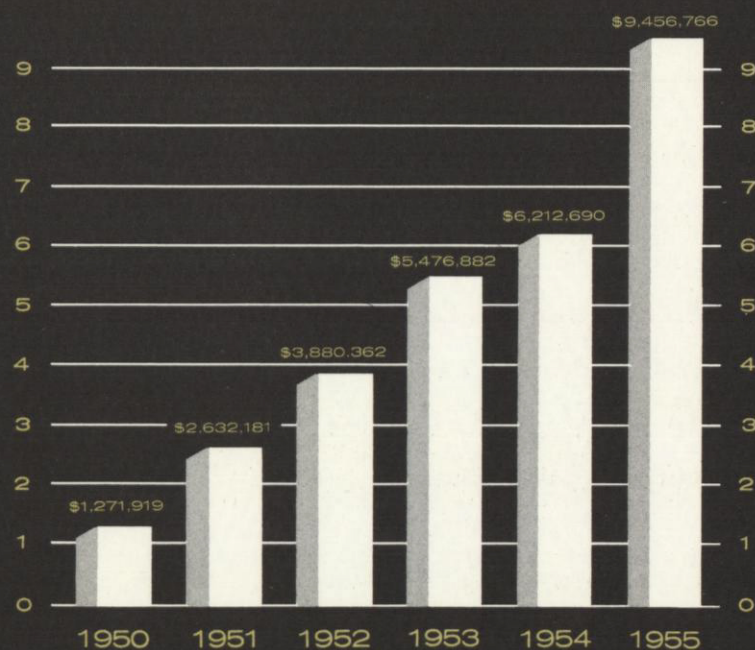
On the following pages I illustrate some of the reasons for our progress and our confidence in the future...

*net
income*

... our financial position

Earnings Per Share Capital Stock

$\$.22$ $.45\frac{3}{4}$ $.67\frac{1}{2}$ $.95\frac{1}{3}$ $1.06\frac{7}{8}$ 1.60



earnings

Earnings *before* taxes were \$18,880,766 in 1955, compared with \$12,703,690 in 1954. This represents an increase of $48\frac{2}{3}$ per cent. Federal and foreign income taxes on 1955 earnings were \$9,424,000 compared with \$6,491,000 in 1954.

Earnings *after* taxes in 1955 were \$9,456,766 compared with \$6,212,690 in 1954. These 1955 earnings represent an increase of 52 per cent over 1954.

Earnings per share on the 5,909,005 shares of capital stock outstanding at the end of 1955 were \$1.60 compared with $1.06\frac{7}{8}$ in 1954 on 5,813,155 shares outstanding.

application of earnings

dividends

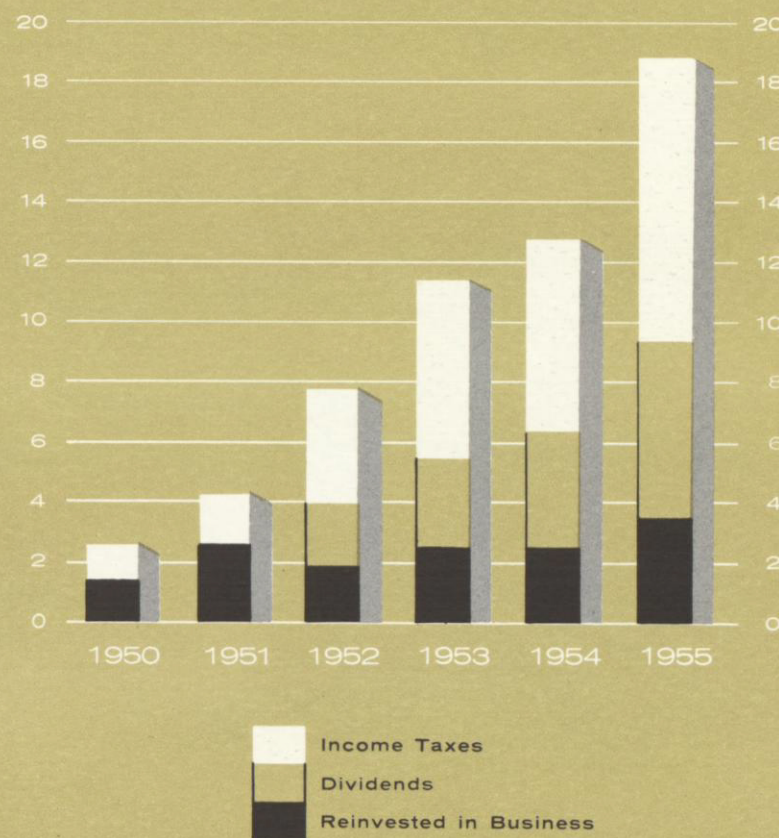
In 1955, for the first time, Pepsi-Cola Company announced the establishment of quarterly dividends, amounting at the outset to 80¢ per share per annum. In November the Board of Directors increased the quarterly dividend to 25¢ per share and, in addition, declared an extra dividend of 15¢ per share, so that the total payment to stockholders in 1955 was \$1.00 per share.

Declared	Amount	Extra	Paid
Feb. 24, 1955	20¢	—	Mar. 31, 1955
May 24, 1955	20¢	—	June 30, 1955
Aug. 25, 1955	20¢	—	Sept. 30, 1955
Nov. 21, 1955	25¢	15¢	Dec. 31, 1955

TOTAL 1955: \$1.00

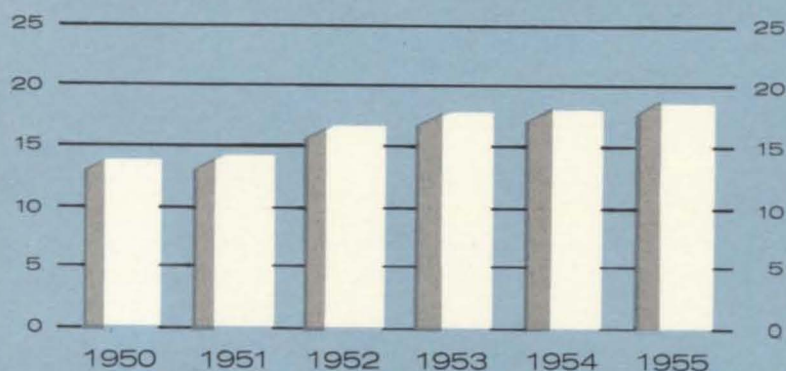
Dividends have been increased regularly since their resumption in 1952. From 1952 through 1955, dividend payments totaled \$14,548,562 or \$2.50 per outstanding share.

MILLIONS OF DOLLARS

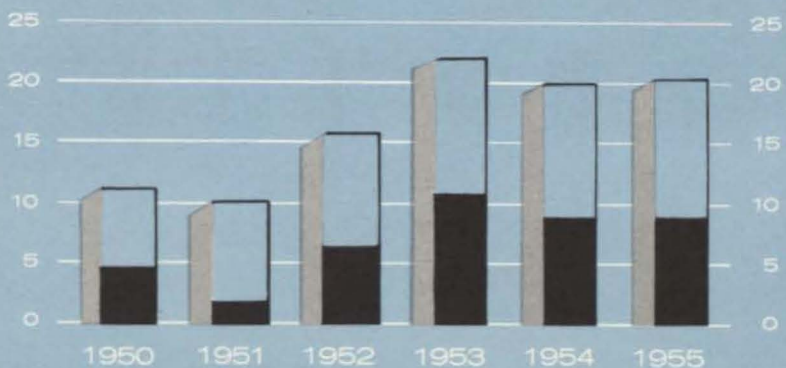


working capital, cash, government obligations

MILLIONS OF DOLLARS



Working Capital
Cash
Government Obligations



capital expenditures

During 1955 substantial cash expenditures were made for expansion in the business—to increase bottling facilities and to purchase glass, cases, automotive equipment, coolers, vending machines, and other tools of the trade. Expenditures for these purposes amounted to \$9,904,000 in 1955, making a total of \$41,836,000 devoted to expansion during the last six calendar years.

sales

In 1955, reported case sales in the United States were the highest in the Company's history, representing an increase of 19 per cent over 1954. This rate of sales growth was nearly double that estimated for the industry as a whole.

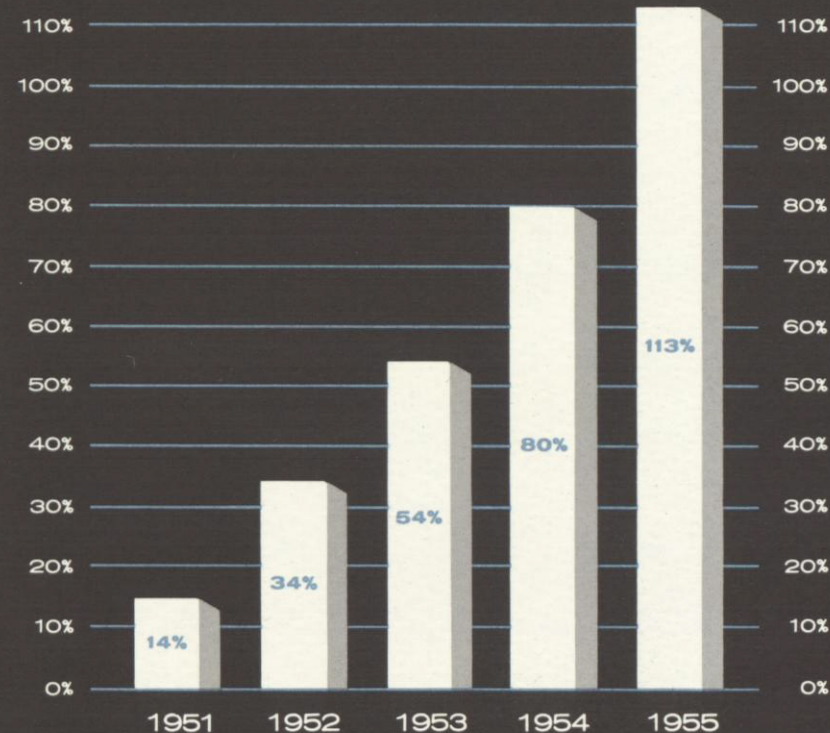
domestic case sales—gains

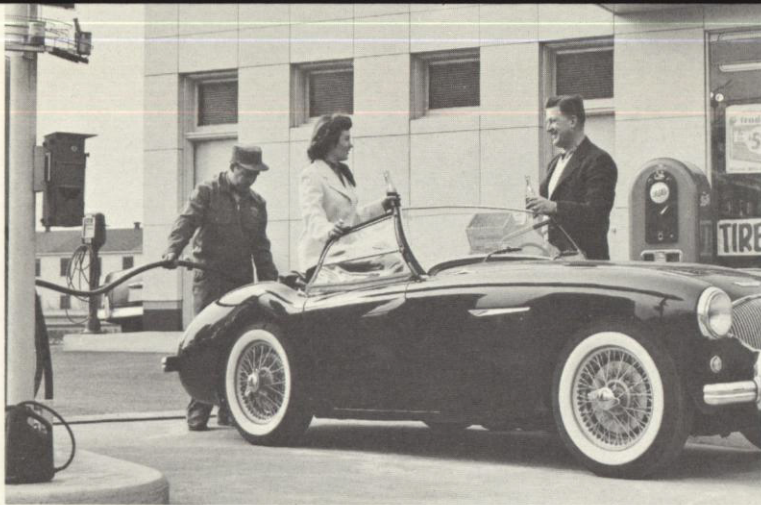
The year ended with the sixty-fourth consecutive month of sales increases over the corresponding month of the previous year. As a result of these increases, case sales in 1955 were 113 per cent greater than those of 1950.

Sales growth was general throughout the country, each of the 48 States, without exception, showing increases over 1954. At the end of 1955, 51 domestic plants were selling from one million to more than ten million cases of Pepsi-Cola a year; in 1954 there were 42 such plants. Moreover, 313 operations reached new per capita sales records as compared with 239 which did so in 1954.

A newly designed quart bottle contributed to sales in a number of plants during the year; and it is expected that during 1956 this new package will be introduced into additional markets.

Percent Increase Over 1950



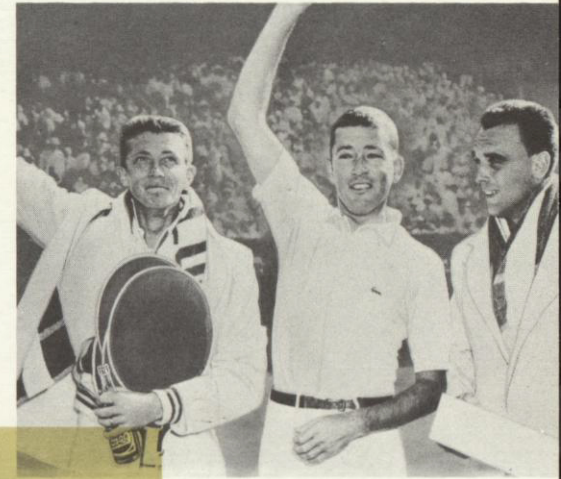


...our market for Pepsi

everyone....



everywhere





*Pepsi-Cola Company is helping Bottlers
sell more Pepsi through...*

(l. to r.) Vice-Presidents J. Charles Derrick (Advertising) and Richard H. Burgess (Domestic Sales) discuss new advertising campaign with President Herbert L. Barnet.



advertising

In all our advertising, both local and national, we continued to stress the highly successful theme of "The Light Refreshment," presenting this theme in an eye-catching good taste and sleek modernity that have stimulated wide-spread acclaim.

Through national magazines and Sunday newspaper supplements alone, this theme every week reached more than sixty-five million people. A dramatic television show, sponsored by the Company, and thousands of spot advertisements on television reached countless millions more. In addition, millions of others were reached at local level all over the country by point-of-purchase signs and displays, three-sheet and twenty-four-sheet posters, radio spots, and a vast quantity of local newspaper advertising, all of them supported by the Company. More than ever before in history, Pepsi-Cola is associated in the mind of the public with wholesome quality, good taste, friendly relaxation, and the modern trend in living.

The world's largest spectacular,
Pepsi's breath-taking new sign dominates
Times Square in New York.



With Company support, many Bottlers published newspaper ads during the year thanking the people of their franchise for advancing Pepsi-Cola to its high position in the local market. In all such instances, particularly when the position of Pepsi-Cola was first in the market, these ads brought on excited receptions.

When competitive companies introduced new bottle sizes in imitation of Pepsi-Cola package sizes, the Company met the challenge with full-page newspaper ads titled "It's Fun To Be Followed." These, too, considerably stimulated local Pepsi-Cola sales.

The Company continues to invest its advertising funds to receive the greatest possible stimulation to sales at the least cost.

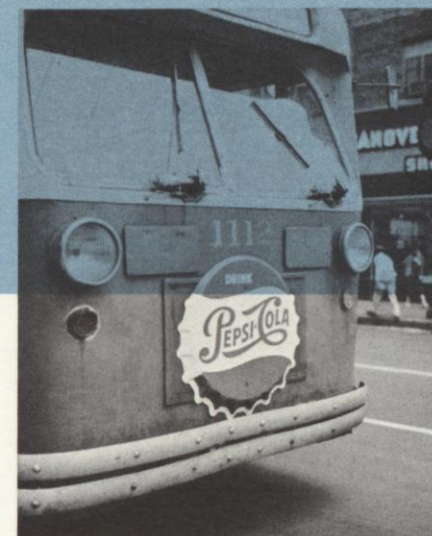


Each month in Los Angeles, 12 million people see signs like this.



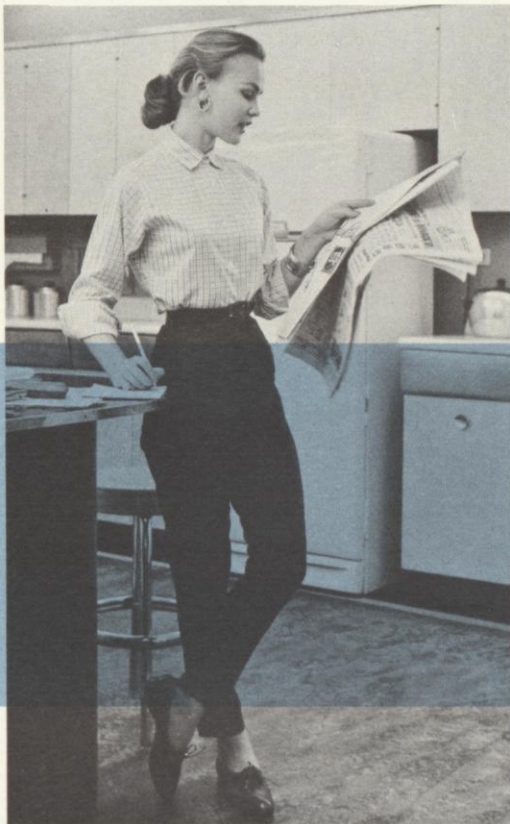
Pepsi ads in national publications alone reach 65 million people every month.

Polly Bergen sings and sells Pepsi to radio audiences all over the country.



Colorful crowns move through crowds in many cities.

TV commercials sell Pepsi to people at home, relaxed, receptive.



Timely newspaper ads remind the shopper to include Pepsi.



Outdoor posters catch the shopper's eye near the point of sale.

Point-of-purchase creates impulse to buy where the product is at hand.





... Sales Promotion

(l. to r.) Marketing Specialists Bannon and Braun discuss plans with Vice-President D. Mitchell Cox.



To aid the Bottler and his sales force in reaching fullest development of potential sales volume, many ideas, tools, devices, and services were introduced into bottling plants.

For the first time, salesmen were provided with two colorful, printed sales presentations for use in opening new outlets and expanding the merchandising of Pepsi in all outlets: a hundred-page *Merchandising Handbook* and a revised device for telling the profit story.

After exhaustive research, all knowledge on operating successful vending programs was pooled into an encyclopaedic volume entitled *Vending for Profit* and presented to each Bottler. In addition, preparation of a loose-leaf, flip-over album stimulated growth in vending.

The most complete package on Special Events ever produced, together with new, efficient, and eye-catching refreshment stands, introduced late in the year, further spurred the sale of Pepsi at all community gatherings.

Large-scale merchandising tie-ins with certain chain outlets and magazines enabled Bottlers to open many new outlets and install several scores of vending machines on a permanent basis.

To improve selling techniques, the Company produced and issued three new, sound-slide training films to be added to a series already acclaimed as the best ever made for American industry. Used by Bottlers to train salesmen in various fundamentals of route selling, the new films follow the pattern of their predecessors.

During 1955, the travelling Route Management School, one of the most successful of Company services, put more than six hundred Route Managers from more than two hundred plants through dramatic and forcefully compact training in their jobs.



The Route Management School traveled across the land, training hundreds.

At national conventions, Pepsi was served to over 200,000 influential community leaders.



At more than forty national conventions, for more than 200,000 people whose influence on Pepsi-Cola is felt in their communities, the Company set up outstandingly attractive booths and served Pepsi-Cola. In addition, scores of local or state conventions were sampled by local Bottlers.

By invitation, executives addressed scores of meetings of community leaders in numerous cities, thus enhancing the receptive good will for the product.

Each month the Company distributes over 8,500 copies of *The Pepsi-Cola World*, a picture newsmagazine of information on newsworthy promotion and marketing developments in plants throughout the country.

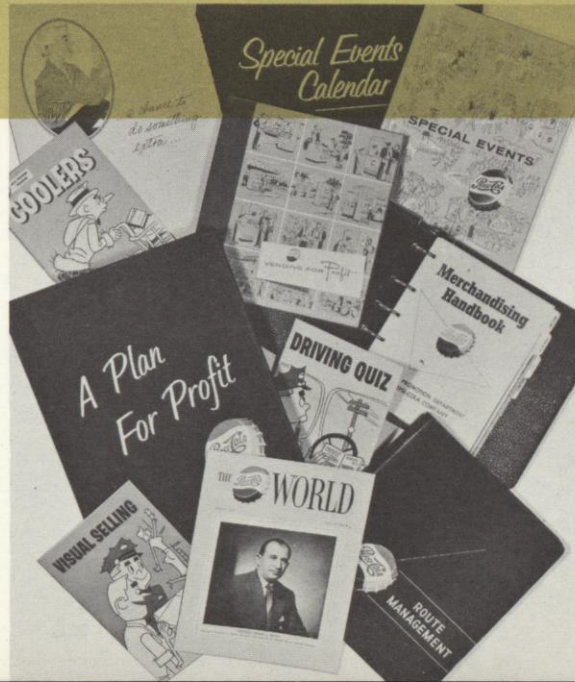


Portable, eye-catching refreshment stands enhance the welcome of Pepsi at group gatherings.

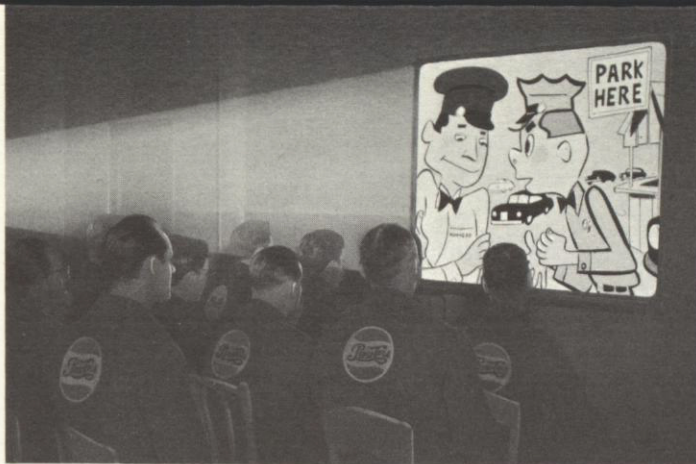


Bottler and Regional Manager confer on vending programs.

Sales Promotion publications cover many aspects of modern marketing of Pepsi.



Specially designed mobile refreshment units such as this one bring Pepsi to many large outdoor special events.



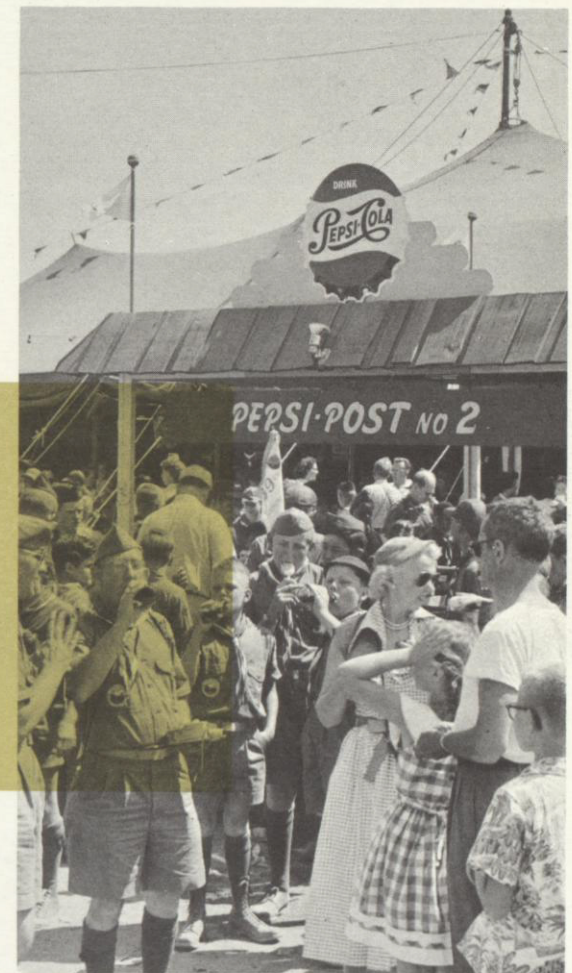
A widely acclaimed series of Training Films improves sales techniques of local salesmen.



The Merchandising Handbook dramatizes a sales talk.



Merchandising tie-ins with chain stores open many new outlets.



Even the world's most mammoth gathering of its kind receives the same incomparable service of Pepsi.



...National Accounts and Syrup Sales

Pepsi-Cola Bottlers, by agreement, may sell the product only within the geographic limits of their franchised territories. Yet, within these territories are many outlets—such as groceries, theatres, variety stores, drug stores, service stations, and industrial plants—where the manager may purchase or display Pepsi only with the authorization of his superior authority, who frequently has offices many miles away from the Bottler's franchised territory. To reach this remote purchasing authority, the Pepsi Bottler needs help. In such instances, the Company provides this sales help, dealing on the Bottler's behalf directly with the central purchasing office, and contributing to the Bottler's greater sales.

Vice-President Donald M. Kendall (r.) confers with assistant Charles Baker.



In 1955, out of such efforts came tremendous gains for Bottlers in national theatre chains, large industrial plants, military installations, variety stores, national food chains, and similar groups. One of the largest food chains signed an extensive bottle vending program with Pepsi-Cola Company.

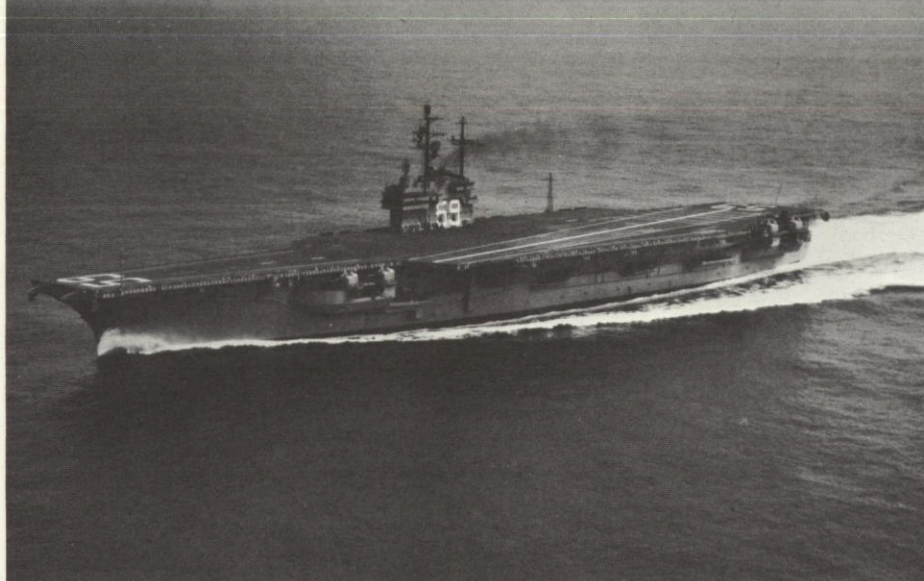
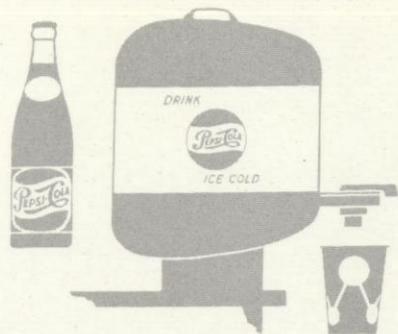
Among many new military outlets for Pepsi is the new super-carrier U.S.S. *Forrestal*, greatest warship ever floated, with a daily consumption exceeding 8,000 drinks.



The "Golden Horseshoe" serves Pepsi to millions at Disneyland.

High publicity and acclaim followed the Company's opening of the "Golden Horseshoe" in Walt Disney's fabulous "Disneyland" in California. Here Pepsi is served exclusively to the hundreds of thousands of visitors who come each year to see an authentic Old West Stage Show. Many other show outlets—fairs, carnivals, outdoor shows, and sports events—were also sold.

The Company continues to make exceptional progress in fountain syrup sales through retail fountains and cup vending machines. The sale of fountain syrup increased thirty-three per cent over 1954. Measured against sales in 1950, the 1955 sales represented a gain of 180 per cent.



The new U.S.S. *Forrestal*, world's greatest warship, is one of scores of military outlets for Pepsi.



Pepsi is sold in nearly 70 per cent of major theatre chains in U.S.

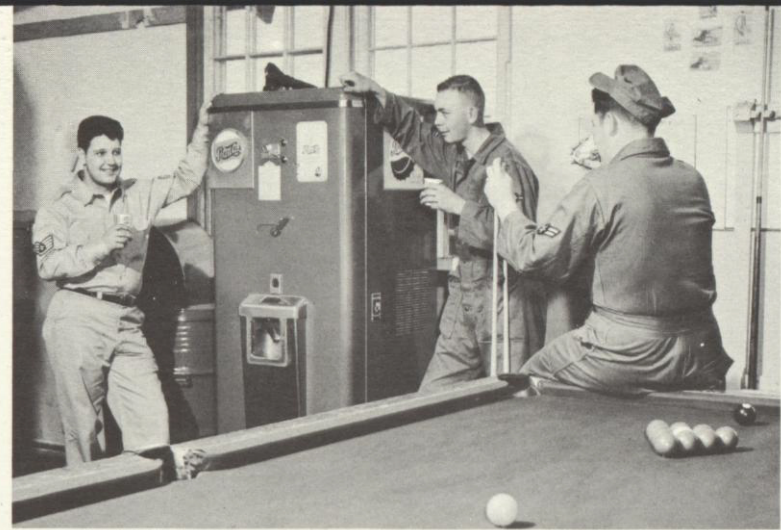
In fountain outlets, like this one, Pepsi sales have almost tripled in five years.



All across the country, concessionaires for sports events make more and more Pepsi available.

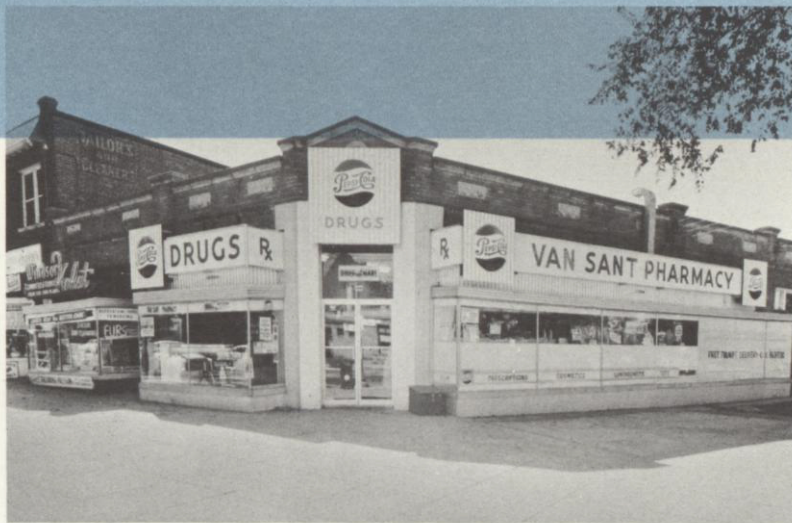


At Disneyland, Mr. Kendall pours Pepsi for Walt Disney at opening of "Golden Horseshoe."



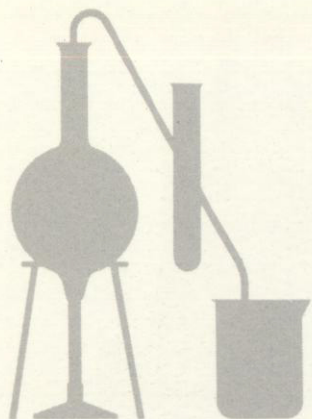
On Army posts, soldiers drink Pepsi from Pre-mix machines in off-duty hours.

Varied printed material stimulates sales development in chain outlets.



Outdoor signs become more common as sales increase in drug chains.





... Research and Product Control

The Company and the Bottlers are irrevocably dedicated to production of a product of incomparably high and uniform quality. Nothing which serves this high aim is left undone.

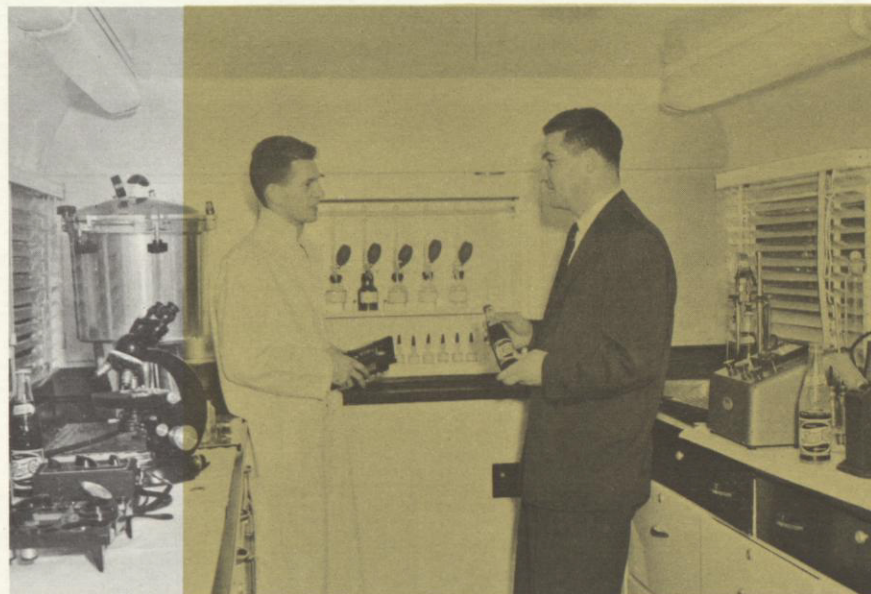
Through the most advanced scientific techniques, in laboratories of the finest equipment, top-flight chemists, chemical engineers, and trained technicians conduct systematic studies on the ingredients of the product and the processing of these ingredients.

In the Company's laboratory in New York, experiments on various new products ingredients, and processes determine their usefulness to the Company or their possible value to competition.

Vice-Presidents Thomas Elmezzi and Stephen L. Galvin check current project.



Vice-President Stephen J. Gullo
inspects one of seven traveling
product control laboratories.

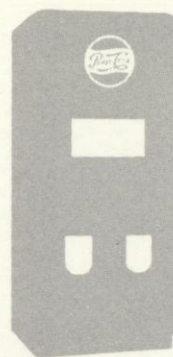


Through seven traveling field laboratories, which make hundreds of inspection trips each year to Pepsi plants in the United States, the Company helps Bottlers keep constant and careful watch on the quality of the product wherever it is manufactured. Last year when floods ravaged areas of the Eastern Seaboard and of California, immediate visits by these Product Control Laboratories made it possible for the Pepsi plants in these areas to return promptly to active production, frequently while competitors remained incapacitated.

Zealously guarding the quality of Pepsi, the Control Laboratory in New York last year, as each year, tested and analyzed thousands upon thousands of samples of Pepsi, Schweppes products, sugar, water, and other materials influencing quality.

The Company has no resolve more firm than that the quality of Pepsi-Cola must forever remain at the highest.

Vice-President Henry E. McGovern exhibits the revolutionary, new Pre-mix machine to Metropolitan's Vice-President James Knight.



... Equipment

During 1955 we engineered, developed, and procured a complete line of bottle-vending machines and Pre-mix equipment.

Now available to Pepsi-Cola Bottlers are twenty-one different types of vendors of the highest quality, varied in size and function to fit every need.

The enthusiastic response of Bottlers to these many new and improved machines for selling Pepsi was so marked that in one brief three-day convention, for example, they purchased an unprecedented seven million dollars worth of new machines.

After years of painstaking research, 1955 produced a revolutionary new kind of cup-vending machine in which the product is mixed with precision at the bottling plant rather than in the machine. Called a Pre-mix machine, it provides a cupful of Pepsi-Cola of the highest quality.

Constantly seeking newer and ever-better sales tools, the Company makes continuous studies into all physical tools that display the product to best sales advantage—carton racks, cases, bottles—whatever presents Pepsi at greater appeal to the customer.



As a Pepsi exclusive, the "Spring-a-way" rack gained extra display space in '55.

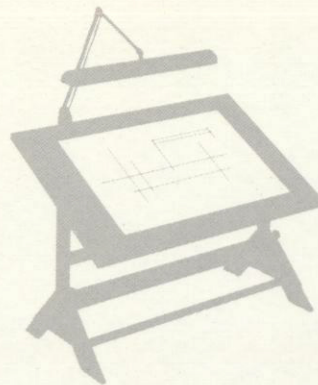
On location is one of 21 different types of vending machines now in use by Pepsi Bottlers.



The compact, dynamic "Visi-Cooler" was developed for exclusive use by Pepsi Bottlers.



Plant Consultant Neil Morrison (r.) checks new plant design with assistant Al Slizys.

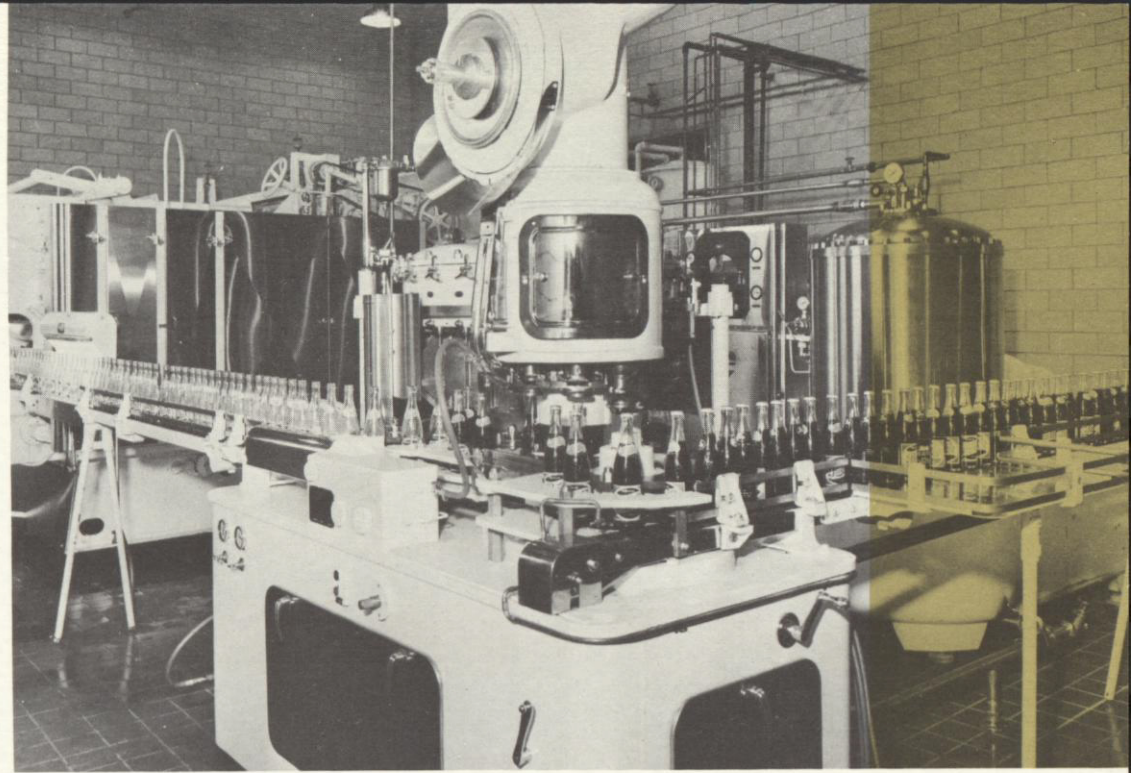


... Plant Layout and Engineering

In 1955, with the expansion of Pepsi bottling facilities at an all-time high, the services of advice on the design of new plants and the redesign of old were in constant demand. During the year thirty-two new plants were constructed and work was begun on thirteen more to be completed early in 1956. In addition, expansion of existing facilities through warehouses or building additions were completed at twenty-three other locations.

New bottling lines were installed by thirty-two plants and larger capacity lines by thirty-seven others. This increase in bottling capacity totaled twenty-eight million cases of Pepsi-Cola, and other equipment already purchased for installation in 1956 will raise this figure to forty-seven million. Significantly, the trend toward automatic machinery—electronic inspection units, bottle packers, uncasers, palletizers, carton opening machinery, and so forth—continues to accelerate.

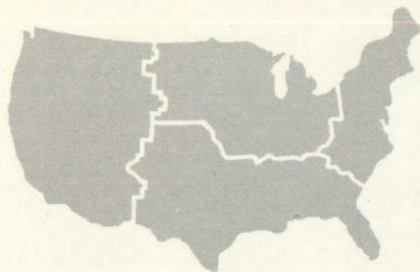
Efficiency in production provides
extra money for marketing.



To improve efficiency and quality, the department also advises many Bottlers in better utilization of space, increased production speed, reduced labor costs, and other improvements arising from good housekeeping, proper maintenance, efficient use of manpower, and handling of materials.

During the year research projects were completed, all fitted to one primary and common end: to provide the Bottler with additional funds for marketing Pepsi-Cola by cutting his productive and operational costs through improved efficiency.

To further knowledge of proper procedures, during the year the Company produced and made available to Bottlers a sixteen-millimeter sound movie in color emphasizing the extraordinary care essential to production of a high-quality beverage. Entitled "Modern Production of the Light Refreshment", it explores the entire manufacturing process from acquisition of raw materials to distribution of the finished product.



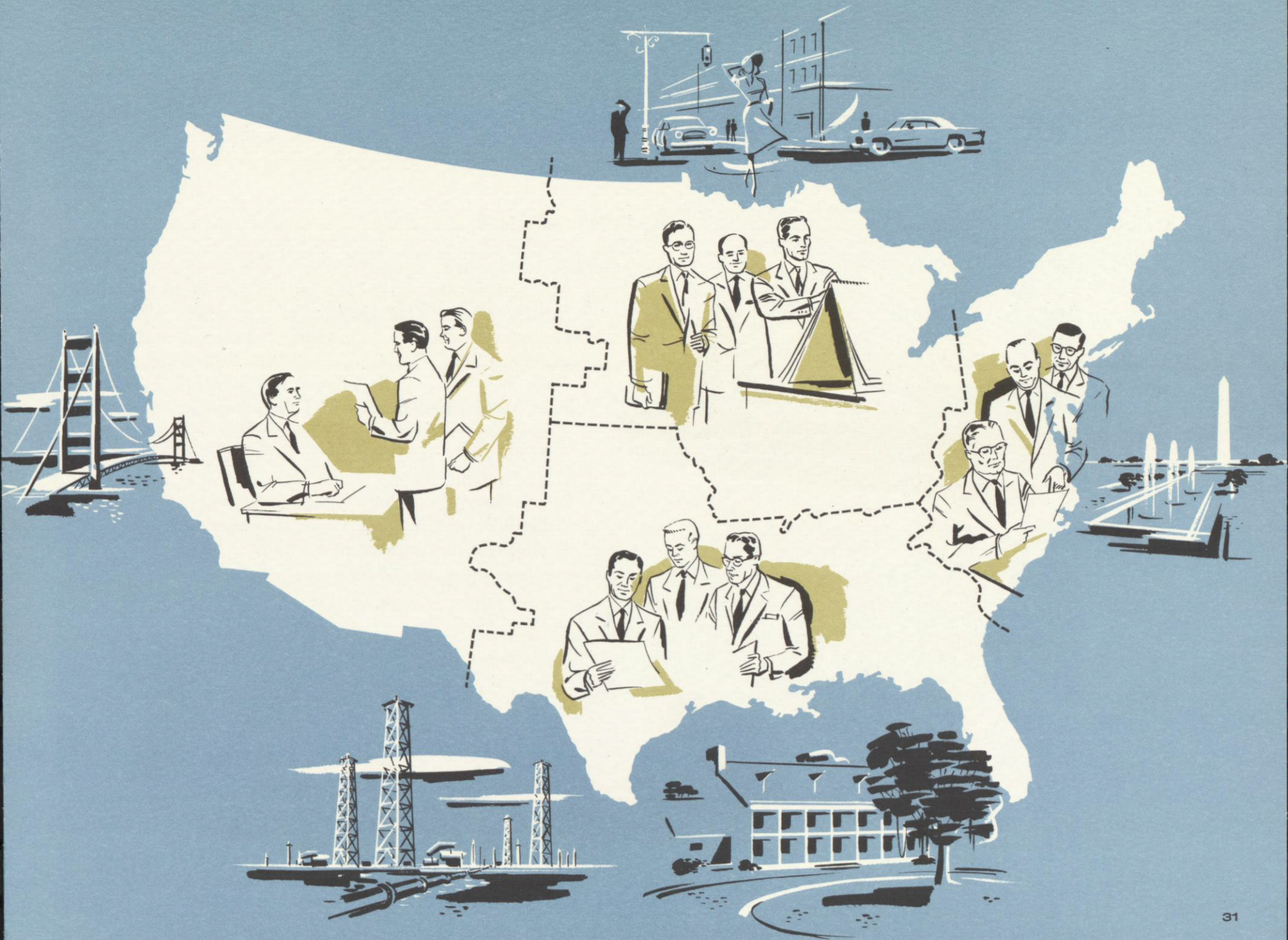
...Field Offices

To increase further the strength of its services to Bottlers and their sales of Pepsi-Cola, during the year the Company strengthened its already efficient field organization by grouping the Company's eight regional offices into four Divisional authorities, each headed by a Vice-President of the Company.

The San Francisco and Denver Regional Offices now operate under the Western Division, with offices in Los Angeles; the Dallas and Atlanta Regions under the Southern Division, with offices in Dallas; the Washington and Hartford (formerly Syracuse) Regions under the Eastern Division, with offices in Washington; and the Chicago and Columbus Regions under the Central Division, with offices in Chicago.

In effect, these changes brought top management out into the local levels of the business, providing the Bottlers with a sharper concentration of field authority and making possible the addition of various marketing services and making others more readily available.

Staffed with highly competent and experienced men, these Regional and Divisional offices bring to bear upon local plants the sum of available marketing knowledge and services, directly channeled from the home office marketing forces in New York.



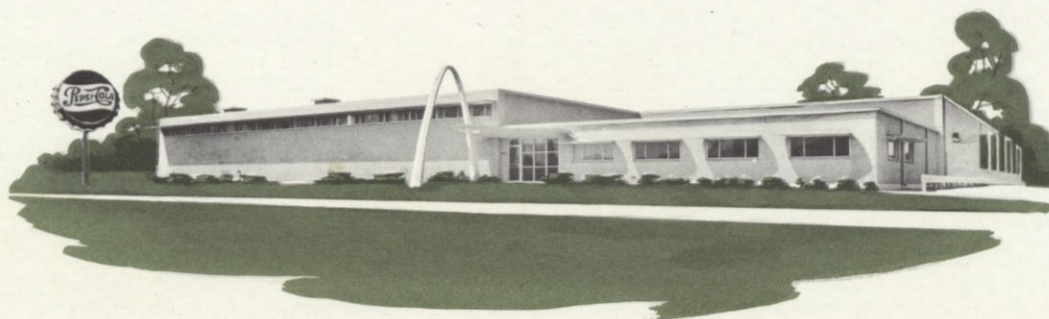
... Expansion in 1955

... new plants

More new plants were built in 1955 by Pepsi-Cola Bottlers than by the Bottlers of any other beverage. A total of 32 modern, handsome, and efficient plants were completed—in Blytheville, Ark.; Long Beach, San Luis Obispo, and Ventura, Calif.; Fort Myers, Lakeland, and Tallahassee, Fla.; Atlanta and Athens, Ga.; Aurora, Ill.; Salina, Kans.; Hopkinsville and Pikeville, Ky.; Grand Island, Nebr.; Reno, Nev.; North Tonawanda and Patchogue, N. Y.; Asheville and Gastonia, N. C.; Cumberland, Md.; Willmar, Minn.; Springfield, Ohio;



Springfield, Ohio:
completed in December, 1955.



Houston, Texas:
completed in April, 1955.



North Tonawanda, New York:
completed in August, 1955.

Oklahoma City, Okla.; Philadelphia, Penna.;
Dillon, S. C.; Memphis and Shelbyville, Tenn.;
Houston, Texas; Hampton, Roanoke, and Staunton,
Va.; and Alderson, W. Va.

In addition, as the year ended, under construction
were plants in Batesville and Jonesboro, Ark.;
Watsonville, Calif.; Chicago, Ill.;
Logansport, Ind.; Syracuse and Utica, N. Y.;
Lumberton, N. C.; Minot, N. D.; Rapid City, S. D.;
Richmond, Va.; Moundsville, W. Va.;
and DePere, Wisc.



Blytheville, Arkansas:
completed in June, 1955.

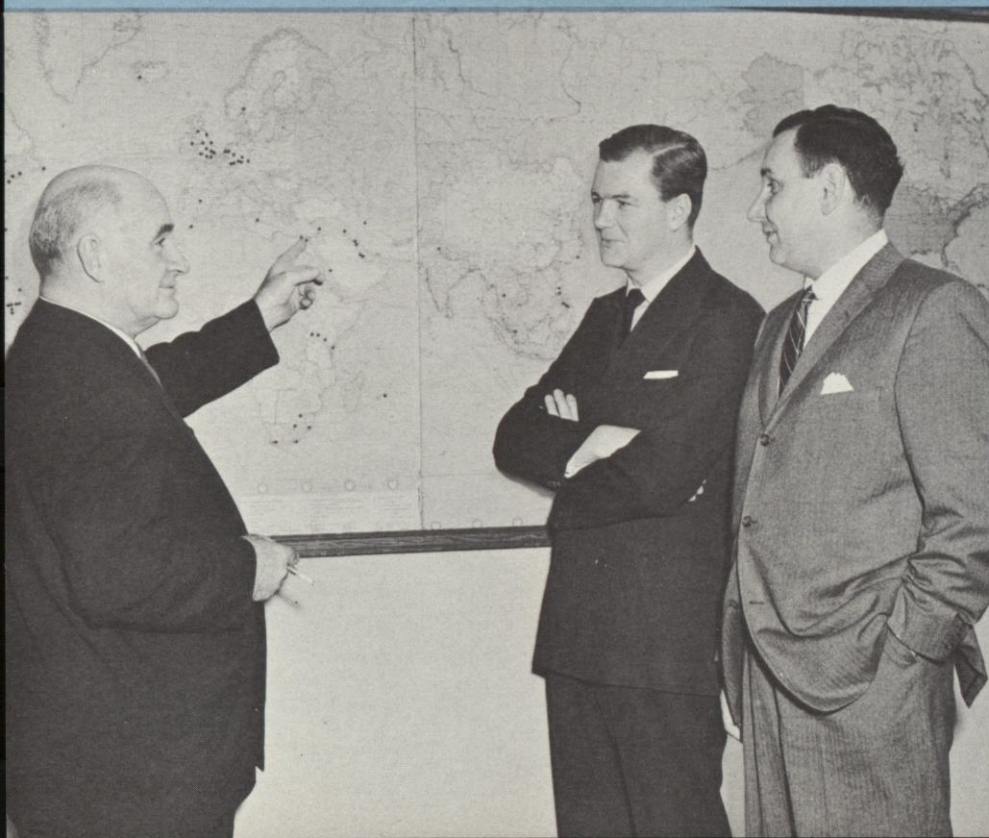


Oklahoma City, Oklahoma:
completed in December, 1955.



...Pepsi-Cola International

International President William B. Forsythe (l.) with
International Vice-Presidents John Rhodes and Samuel Desch.



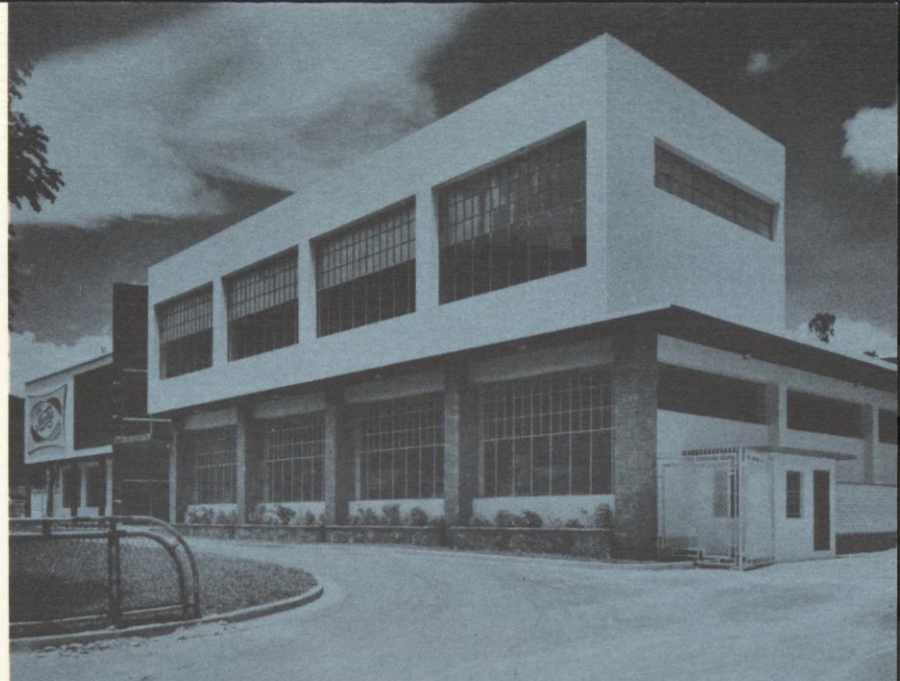
Two years ago the Company coordinated all overseas activities into a wholly-owned subsidiary, Pepsi-Cola International, Limited. It has made spectacular gains abroad and achieved a momentum that promises even greater advances in the years to come.

Twenty new plants were launched by International in 1955— at Cairns, Australia; Bello Horizonte and Pelotas, Brazil; Weissenbrunn, Germany; Teheran, Iran; Basrah, Iraq; Tepic, Mexico; Port Louis, Mauritius; Iloilo, Philippine Islands; Madrid, Spain; Montevideo, Uruguay; Antimano, Venezuela; and in eight cities in Canada.

At year's end, Pepsi was being distributed in seventy-one countries. More than 230,000,000 people in 239 widely varying communities spread around the world were being served the same high-quality product meticulously produced with the same expert care.

Whether in the jungles of Africa, the villages of Peru, or in Mayfair, Pepsi-Cola is being met with an overwhelming enthusiasm. When the new plant opened in Antimano (Caracas), Venezuela, local citizens treated the event as if it were a national holiday. The protracted opening ceremonies were covered in detail by local television, radio, and press. It was Venezuela's eleventh Pepsi plant.

Mexico has 29 Pepsi-Cola plants, and two more will be opened this year. Other openings are scheduled for Aden, Arabia; Bogota, Colombia; Moshi, Kenya Colony; Oslo, Norway; Al Khobar, Saudi Arabia; Barcelona, Spain; and Salisbury, Southern Rhodesia.



Modern buildings in Caracas, Venezuela, (above) and Nairobi, Kenya, (below) typify 20 new plants built overseas in 1955.





Marketing material is published in many languages.



In Cairo, Egypt, a caravan of shiny trucks carries the modern refreshment past an ancient pyramid.



In Nairobi, Kenya, as in 70 other countries, thirst welcomes the Light Refreshment.

In Lima, Peru, Pepsi is a favorite with *aficionados*.





In Mecca, Saudi Arabia, eager hands of travel-weary Moslem pilgrims reach for ice-cold Pepsi.



In Mexico, a small boy pauses for a large Pepsi while remonstrating with his donkey.



In The Hague, Holland, a Dutch maid pedals Pepsi home from the market.



In Frankfurt, Germany, a *litfass* bearing Pepsi ads stands against Gothic spires.

...Metropolitan Bottling Company, Inc.



Metropolitan President Emmett R. O'Connell (r.) at Memphis plant opening with Manager Mario Caruso.

Metropolitan Bottling Company, Inc., a subsidiary of Pepsi-Cola Company, operates seventeen bottling plants in fifteen cities across the United States—Phoenix, Arizona; Jersey City, New Brunswick and Teterboro, New Jersey; New York, New York (two plants); Boston and Springfield, Massachusetts; Philadelphia (two plants) and Pittsburgh, Pennsylvania; Memphis and Nashville, Tennessee; Houston and Waco, Texas; Alexandria, Virginia; and Milwaukee, Wisconsin.

During the year the plant in Mobile, Alabama, formerly managed by Metropolitan, was sold to a local independent Bottler.

Last year, to keep pace with the increasing demand for Pepsi and to provide for future growth, new plants were built in Philadelphia, Houston, and Memphis; and a 25,000-square-foot addition was made to the New Brunswick plant.

Metropolitan's plans for 1956 include the construction of new plants in Brooklyn, Phoenix, Pittsburgh, and Waco.



...Schweppes

Schweppes products—prestige companions to Pepsi-Cola—have soared in popularity wherever introduced, and have helped Pepsi reach many new prestige outlets, especially the highest class of tavern and restaurant outlets in America.

Wherever Schweppes Quinine Water has been introduced, its sales have been limited more by production and distribution problems than by the consumer's readiness to buy. Now, 18 Bottlers are producing Schweppes and shipping to distributors located in 167 markets. They, in turn, are delivering one or more Schweppes products (Quinine Water, Ginger Ale, Club Soda) to some 300,000 retailers throughout the country.

It was estimated that in 1955, seventy million drinks were mixed with Schweppes tonic alone.

Already in the U. S., Canadian and Mexican markets, Schweppes will be introduced in Venezuela in 1956.

Advertising, featuring Commander Edward Whitehead, President of Schweppes, (U. S. A.), Ltd., will continue its present successful campaign, directed at those who are conscious of quality. In addition to present media, a series of full-color pages in *Life* magazine is planned for 1956.

ADMINISTRATION

Last summer, after surveying five years of dynamic Company progress, the Board of Directors authorized administrative promotions which will insure a continuation of progress under the same management policies. Mr. Alfred N. Steele, who continues as Chief Executive Officer, became Chairman of the Board of Directors, and Executive Vice-President Herbert L. Barnet became President of the Company. Chairman James W. Carkner, who introduced the resolution to effect these promotions, became Honorary Chairman of the Board.

As a natural outgrowth of the Company's increased stature in the industry under present management, these and the other administrative changes which accompanied them—such as the Divisional reorganization—insure a continuance of the policies and procedures which have made Pepsi-Cola the most vital product in its field.

Other notable promotions included those of Louis E. Nufer, formerly Treasurer, to Financial Vice-President and Treasurer; Adolph Krieger, Jr., to the post of Controller; and J. Charles Derrick, Advertising Manager for the Company since 1953, to the rank of Vice-President.

It is the belief of the Board of Directors that executive personnel of exceptional ability can be attracted to and retained in Management only by incentive inducements greater than salary alone can give, in the face of current taxation. In consequence of this belief and subject to stockholder approval at this year's annual meeting, the Board of Directors recommended a further Stock Option Plan, making an additional 200,000 shares available for purchase by key employees at never less than 85 per cent of the market value of the shares on the dates the options are granted.

FINANCIAL STATEMENTS



ACCOUNTANT'S CERTIFICATE

HASKINS & SELLS
Certified Public Accountants

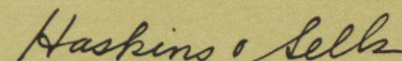
67 Broad Street
New York 4

THE DIRECTORS AND STOCKHOLDERS
OF PEPSI-COLA COMPANY:

We have examined the balance sheet of Pepsi-Cola Company and consolidated subsidiaries as of December 31, 1955, and the related summaries of consolidated income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the related summaries of consolidated income and surplus present fairly the financial position of the companies at December 31, 1955, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 15, 1956



HASKINS & SELLS

SIX-YEAR COMPARISON

FINANCIAL RESULTS	1955	1954	1953	1952	1951	1950
Gross Profit on Sales	\$62,823,327	\$51,787,727	\$45,419,752	\$35,022,415	\$30,216,383	\$23,765,879
Income Before Deducting United States and Foreign Income Taxes	18,880,766	12,703,690	11,384,412	7,834,126	4,192,890	2,544,610
Net Income	9,456,766	6,212,690	5,476,882	3,880,362	2,632,181	1,271,919
Earnings Per Share	1.60	1.06 $\frac{7}{8}$.95 $\frac{1}{3}$.67 $\frac{1}{2}$.45 $\frac{3}{4}$.22
Dividends	5,897,090	3,769,493	2,871,752	2,010,227	—	—
Dividends Per Share	1.00	.65	.50	.35	—	—
Shares Outstanding	5,909,005	5,813,155	5,743,505	5,743,505	5,736,005	5,736,005

FINANCIAL POSITION	1955	1954	1953	1952	1951	1950
Current Assets	\$32,803,026	\$29,309,566	\$29,850,407	\$23,459,670	\$18,538,797	\$17,248,807
Current Liabilities	14,300,372	11,227,522	11,854,418	7,048,898	4,830,536	3,784,171
Working Capital	\$18,502,654	\$18,082,044	\$17,995,989	\$16,410,772	\$13,708,261	\$13,464,636
Fixed Assets—Net	20,103,341	17,172,325	14,758,730	13,980,506	15,044,434	10,939,904
Other Assets	5,180,719	4,305,246	3,963,617	3,720,446	3,374,015	3,171,161
Total	\$43,786,714	\$39,559,615	\$36,718,336	\$34,111,724	\$32,126,710	\$27,575,701
Long Term Debt (Including Note Payable to Insurance Company) and Customers' Deposits	4,692,600	4,939,642	5,111,280	5,109,798	5,309,341	5,221,898
Stockholders' Equity	\$39,094,114	\$34,619,973	\$31,607,056	\$29,001,926	\$26,817,369	\$22,353,803

Pepsi-Cola Company and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEET • DECEMBER 31, 1955 AND 1954

ASSETS	1955	1954
CURRENT ASSETS:		
Cash	\$11,376,548	\$10,839,945
United States and Canadian Government obligations (market valuation — 1955, \$8,990,000)	8,995,924	9,301,403
Notes and accounts receivable (less allowance for doubtful receivables — 1955, \$407,327; 1954, \$154,064)	5,366,380	3,809,947
Inventories:		
Finished, in-process, raw materials and supplies	4,693,945	3,750,957
Vending equipment held for resale	2,370,229	1,607,314
Total current assets	<u>\$32,803,026</u>	<u>\$29,309,566</u>
MISCELLANEOUS ASSETS:		
Notes and accounts receivable—not current	\$ 1,236,864	\$ 946,106
Investment in and advances to subsidiaries not consolidated	496,018	492,313
Other	582,792	476,173
Total miscellaneous assets	<u>\$ 2,315,674</u>	<u>\$ 1,914,592</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land, buildings, equipment, leasehold improvements, etc.—at cost (less depreciation and amortization—1955, \$10,676,005; 1954, \$9,553,050)	\$14,996,018	\$12,585,794
Bottles and cases on hand and with trade (at estimated depreciated values)	5,107,323	4,586,531
Total property, plant and equipment—net	<u>\$20,103,341</u>	<u>\$17,172,325</u>
DEFERRED DEBIT ITEMS:		
Prepaid insurance, taxes, etc.	\$ 482,649	\$ 443,374
Advertising materials and expenses	2,038,066	1,821,935
Other	344,329	125,344
Total deferred debit items	<u>\$ 2,865,044</u>	<u>\$ 2,390,653</u>
TRADEMARKS, FORMULAS AND GOODWILL	<u>\$ 1</u>	<u>\$ 1</u>
TOTAL	<u><u>\$58,087,086</u></u>	<u><u>\$50,787,137</u></u>

Reference is made to the accompanying Notes to Financial Statements starting at Page 47

CONSOLIDATED BALANCE SHEET • DECEMBER 31, 1955 AND 1954

LIABILITIES	1955	1954
CURRENT LIABILITIES:		
Notes payable (including current installments on long-term obligations)	\$ 422,650	\$ 426,300
Accounts payable and accrued	4,077,324	3,560,285
Accrued taxes—estimated:		
United States and foreign income taxes	8,457,440	6,189,884
Other taxes	1,342,958	1,051,053
Total current liabilities (exclusive of customers' deposits on bottles and cases, shown below)	<u>\$14,300,372</u>	<u>\$11,227,522</u>
OTHER LIABILITIES:		
Note payable to insurance company, 3%, due June 1, 1963, payable \$333,000 annually (current installment included above)	\$ 1,999,000	\$ 2,665,000
Note payable assumed		89,650
Customers' deposits on bottles and cases	2,693,600	2,184,992
Total other liabilities	<u>\$ 4,692,600</u>	<u>\$ 4,939,642</u>
CAPITAL STOCK AND SURPLUS:		
Capital stock—authorized, 7,500,000 shares of 33 $\frac{1}{3}$ ¢ each; issued and outstanding at December 31, 1955, 5,909,005 shares	\$ 1,969,668	\$ 1,937,718
Capital surplus	6,956,487	6,073,972
Earned surplus	30,167,959	26,608,283
Total capital stock and surplus	<u>\$39,094,114</u>	<u>\$34,619,973</u>
TOTAL	<u><u>\$58,087,086</u></u>	<u><u>\$50,787,137</u></u>

Reference is made to the accompanying Notes to Financial Statements starting at Page 47

SUMMARY

CONSOLIDATED INCOME

for the years ended December 31, 1955 and 1954

	1955	1954
GROSS PROFIT ON SALES	\$62,823,327	\$51,787,727
ADVERTISING, SELLING, SHIPPING, GENERAL AND ADMINISTRATIVE EXPENSES .	44,462,569	38,795,322
PROFIT FROM OPERATIONS	\$18,360,758	\$12,992,405
OTHER INCOME	708,911	569,153
GROSS INCOME	\$19,069,669	\$13,561,558
INCOME CHARGES	188,903	857,868
INCOME BEFORE DEDUCTING PROVISIONS FOR UNITED STATES AND FOREIGN INCOME TAXES	\$18,880,766	\$12,703,690
PROVISIONS FOR UNITED STATES AND FOREIGN INCOME TAXES—Estimated:		
United States	\$ 7,386,000	\$ 5,030,000
Foreign	2,038,000	1,461,000
TOTAL	\$ 9,424,000	\$ 6,491,000
NET INCOME	\$ 9,456,766	\$ 6,212,690

CONSOLIDATED SURPLUS

for the year ended December 31, 1955

	earned surplus	capital surplus
BALANCE, JANUARY 1, 1955	\$26,608,283	\$ 6,073,972
NET INCOME FOR THE YEAR	9,456,766	
EXCESS OF PROCEEDS OVER PAR VALUE OF 95,850 SHARES OF CAPITAL STOCK ISSUED UNDER STOCK OPTION PLAN		882,515
TOTAL	\$36,065,049	\$ 6,956,487
DIVIDENDS (\$1.00 a share)	5,897,090	
BALANCE, DECEMBER 31, 1955	\$30,167,959	\$ 6,956,487

Reference is made to the accompanying Notes to Financial Statements starting at Page 47

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1955

1. The inventories are stated at cost, certain inventories being at average cost and the others being on the basis of first-in, first-out. Such costs were not in excess of market.
2. The current assets and liabilities, total assets and liabilities, earned surplus, and net income of foreign subsidiaries, which are included in the 1955 consolidated financial statements, are as follows:

	Canadian subsidiaries	Cuban subsidiary	Mexican subsidiaries	French subsidiary	Brazilian subsidiary	German subsidiary
Current assets	\$1,833,533	\$ 615,251	\$1,383,676	\$209,642	\$175,480	\$103,545
Current liabilities	1,115,863	108,928	348,031	92,783	25,506	100,631
Total assets	5,383,937	2,011,365	1,807,446	440,091	210,174	163,768
Total liabilities	1,501,899	234,483	348,031	92,783	25,506	118,876
Earned surplus (deficit) . .	1,607,336	(983,988)	1,744,100	123,068	7,192	(205,521)
Net income (loss) for year .	709,745	(198,688)	372,667	(3,938)	30,249	(142,814)

The assets and liabilities of these subsidiaries have been translated into United States dollars at current rates of exchange; income and expenses have been converted at rates prevailing during the year.

Provisions for taxes related to the transfer of funds to the United States are made only at the time of such transfers.

3. Because of continuing stringent foreign exchange restrictions, the accounts of the British subsidiary (and its subsidiaries) are excluded from the consolidated financial statements. The current assets and liabilities and total assets and liabilities of these subsidiaries, and the parent company's equity, at December 31, 1955, and the subsidiaries' net loss for the year are as follows:

Current assets	\$ 543,635
Current liabilities	315,550
Total assets	1,535,173
Total liabilities	316,072
Parent company's equity in net assets	1,219,101
Net loss for year	13,434

4. The Federal income tax returns of the Company and domestic subsidiaries have been examined and settled through the year 1950; the tax returns for the years 1951 and 1952 are under examination.

NOTES TO FINANCIAL STATEMENTS • CONTINUED

5. On May 7, 1952 the stockholders approved the adoption of a Stock Option Plan under which 200,000 shares of the Company's capital stock were made available for the granting of options to executives. On September 22, 1955, the Board of Directors adopted, subject to the approval of the stockholders, another Plan under which an additional 200,000 shares were made available for options (options for 93,000 of these shares were granted). The status of options granted under both Plans at December 31, 1955 was as follows:

Date Granted	Expiration Date	Option Price	Market Price At Date Of Grant	Number of Shares	
				Options Granted	Issued
November 21, 1951	November 20, 1956	\$ 9.125	\$ 9.125	90,000	88,000
August 28, 1952	August 27, 1957	9.2625	9.75	63,350	52,450
August 28, 1952	August 27, 1957	9.75	9.75	5,600	5,600
January 28, 1954	January 27, 1959	12.43125	14.625	23,000	10,950
September 22, 1955	September 21, 1960	21.49375	22.625	110,500	
			TOTAL	<u>292,450</u>	<u>157,000</u>

6. The provisions of the note payable to the insurance company include certain restrictions on the payment of cash dividends on the capital stock of the Company. At December 31, 1955 approximately \$8,437,000 of earned surplus was free of such restrictions.

7. At December 31, 1955 the Company and consolidated subsidiaries were contingently liable as guarantors of bank loans, principally to various franchised Bottlers, aggregating \$2,856,000.

8. The stockholders' derivative suit brought in the Supreme Court, New York County, on behalf of the Company by certain stockholders and charging various directors with mismanagement, which was reported to the stockholders in last year's Annual Report, has resulted in judgment for the defendant-directors dismissing the complaint. The firm of Cahill, Gordon, Reindel & Ohl, who represented the ten defendant-directors, charged them the sum of \$150,000 for services rendered plus \$5,239 disbursements incurred. Pursuant to its obligation under its by-laws to indemnify defendant-directors against costs and expenses reasonably incurred by them in connection with the defense of such suits against them, the Company paid said attorneys the above charges totalling \$155,239. A similar suit instituted in Delaware against the then President of the Company, which had been stayed pending the outcome of the New York action, was thereafter dismissed and under its obligation to indemnify, the Company has paid Richards, Layton & Finger, attorneys for the defendant-president, \$1,500 counsel fee and \$19 disbursements.

9. The provisions for depreciation and amortization charged to manufacturing and expense accounts amounted to \$2,056,000 in 1955, and \$1,891,000 in 1954.

PEPSI-COLA COMPANY

EXECUTIVE OFFICES

3 West 57th Street, New York 19, New York

DIVISIONAL OFFICES

Pure Oil Building,
Chicago 11, Illinois (Central)

1012 14th Street, N. W.,
Washington 5, D. C. (Eastern)

1005 Mercantile Securities Building,
Dallas 1, Texas (Southern)

223 South Beverly Drive,
Beverly Hills, California (Western)

REGIONAL OFFICES

1401 Peachtree Building, Atlanta 9, Georgia

Pure Oil Building, Chicago 11, Illinois

4300 LeVeque Lincoln Tower Building, Columbus 15, Ohio

1005 Mercantile Securities Building, Dallas 1, Texas

800 East Colfax Avenue, Denver 18, Colorado

785 Market Street, San Francisco 3, California

37 Lewis Street, Hartford 3, Connecticut

1012 14th Street, N. W., Washington 5, D. C.

ADDRESS ALL COMMUNICATIONS TO:

Secretary, Pepsi-Cola Company

3 West 57th Street, New York 19, New York

OFFICERS

BOARD OF DIRECTORS

Alfred N. Steele, <i>Chairman</i>	James Felt
James W. Carkner, <i>Honorary Chairman</i>	William B. Forsythe
Charles Allen, Jr.	Harry E. Gould
Herbert L. Barnet	Mortimer Hays
James G. Blaine	Christopher E. Holzworth
Sheldon R. Coons	Dr. Louis A. Rezzonico

OFFICERS

Chairman of the Board and Chief Executive Officer

Alfred N. Steele

President

Herbert L. Barnet

First Vice-President

William B. Forsythe

Vice-Presidents

John L. Bate

Western Division

Richard H. Burgess

Domestic Sales

D. Mitchell Cox

Sales Promotion

J. Charles Derrick

Advertising

William C. Durkee

Central Division

Thomas Elmezzzi

Manufacturing

Stephen L. Galvin

Director of Research

Eugene B. Gilbert

Southern Division

Stephen J. Gullo

Product Control

Donald M. Kendall

*National Accounts
and Syrup Sales*

Milward W. Martin

Secretary, Law Department

Henry E. McGovern

Equipment

Louis E. Nufer

Treasurer

Carl B. Salts

Eastern Division

A. Allen Thomson,

Sugar Division

Controller

Adolph Krieger, Jr.

— • —
Alfred N. Steele

*Chairman of the Board of Directors,
Pepsi-Cola International, Ltd.*

William B. Forsythe

President of Pepsi-Cola International, Ltd.

Emmett R. O'Connell

President of Metropolitan Bottling Company, Inc.

Frank W. McIntosh

President of Pepsi-Cola Company of Canada, Ltd.

TRANSFER AGENTS

The Marine Midland Trust Company of New York

The First National Bank of Jersey City

Harris Trust and Savings Bank (Chicago, Illinois)

REGISTRARS

The Chase Manhattan Bank (New York, N. Y.)

The First National Bank of Chicago (Chicago, Illinois)

